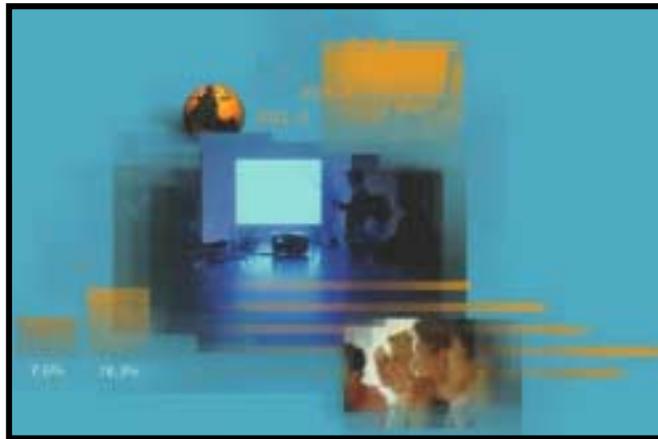


Findings From Task 154 The BMF Satisfaction Surveys –

Satisfaction With Business *e-file* Products Among Software Developers & Transmitters



Prepared for:

**The Internal Revenue Service
and
Cossette Post Advertising**

March, 2002

Contents

<u>Contents</u>	<u>Page #</u>
Background & Purpose.....	3
Research Objectives, Method, Scope & Timing.....	4
Areas Of Investigation.....	5
Statistical Notation.....	6
Executive Summary.....	7
<u>Detailed Findings</u>	
Awareness & Involvement With BMF <i>e-file</i> Products.....	13
Satisfaction With The IRS' Business <i>e-file</i> Program.....	22
Satisfaction With Business Tax Form 940 <i>e-file</i>	27
Satisfaction With Business Tax Form 1065 <i>e-file</i>	36
Satisfaction With Business Tax Form 941 <i>e-file</i>	45
Software Developer Measures.....	54
Other Tax Software Related Measures.....	60
Firmographics.....	77
Questionnaire Electronically Appended	

Background & Purpose

- As BMF *e-file* products are developed, the IRS is commissioning annual quantitative customer satisfaction research to determine levels of satisfaction with the products. The first of these BMF Customer Satisfaction Surveys, conducted last March, covered *Form 941 e-file*. The latest of the satisfaction surveys (reported under Task 154) covers two new business *e-file* products -- **Form 1065 e-file** and **Form 940 e-file**, while also addressing **Software Developer & Transmitter** satisfaction with each BMF *e-file* product.
- The purpose of this satisfaction research program is to provide the IRS with quantitative data and analysis to assist with making policy decisions on how to expand the volumes of electronic business transactions. In addition, the research will be used to assist with resource allocation decisions related to influencing practitioner information and public acceptance of IRS Electronic Tax Administration programs. Specifically, the IRS intends to use this data when making decisions on the development of future ETA business products and effective marketing techniques. As such, the research will supplement previous studies conducted by the IRS, which have been qualitative in nature; and the research will provide a level of detail needed to focus product development efforts, enhance current products, and indicate appropriate targeted marketing strategies. In general, findings from the satisfaction research program will assist IRS in marketing IRS *e-file* for Business products and in reaching overall *e-file* usage goals.
- Each satisfaction survey is reported separately. Following are findings from the **Software Developer & Transmitter Satisfaction Study**.

Research Objectives, Method, Scope & Timing

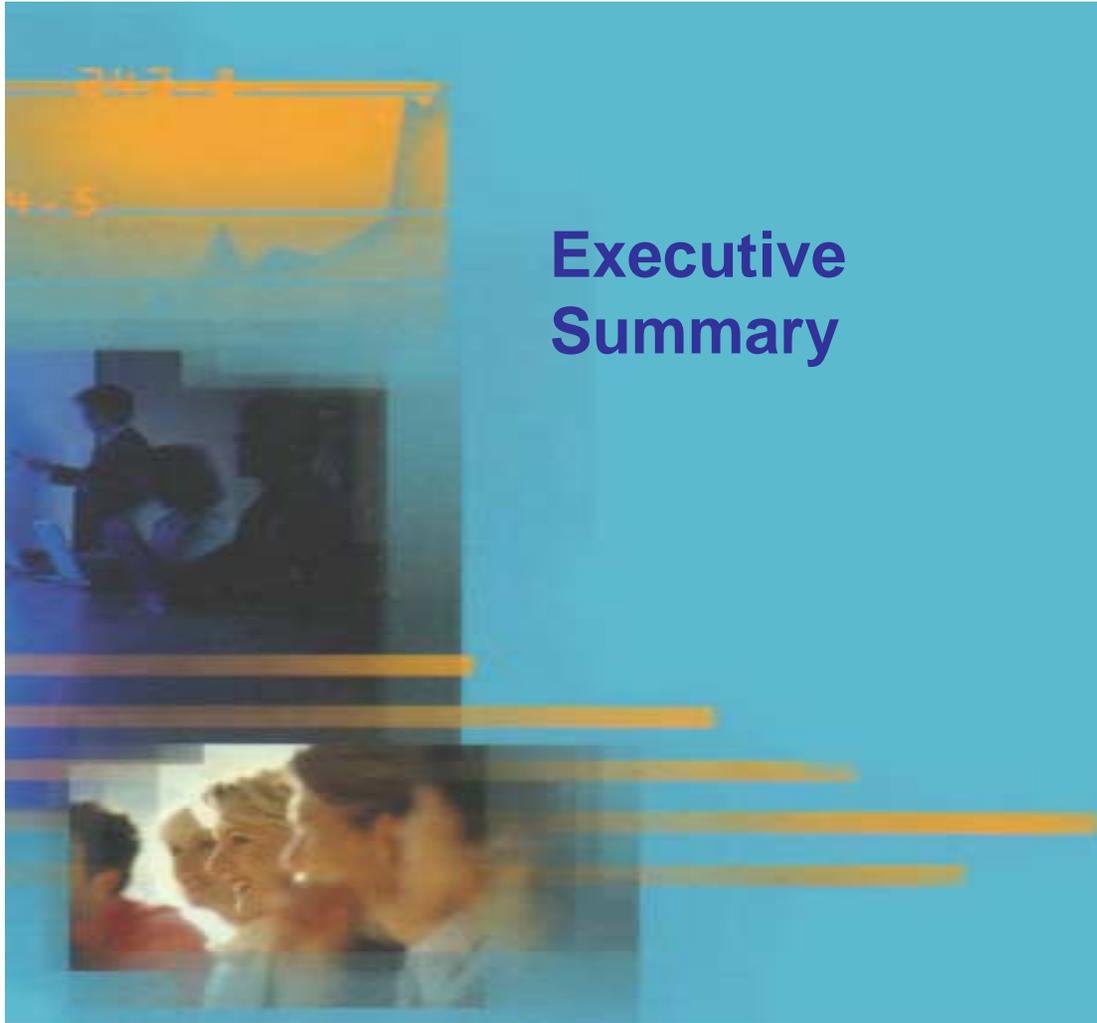
- The **specific objectives** of the Software Developer & Transmitter Satisfaction Survey were to:
 1. Establish baseline satisfaction levels among **Software Developers and Transmitters** in terms of *Form 1065 e-file*, *Form 940 e-file* and *Form 941 e-file*.
 - This to allow future tracking of changes in satisfaction with all three BMF products (Forms 1065, 940 and 941) among these two audiences.
 2. Secure any new ideas that **Software Developers and Transmitters** would like the IRS to explore in terms of both the overall business e-file program and specifically for *Form 1065 e-file*, *Form 940 e-file* and *Form 941 e-file*.
- This study was conducted during the period of **1/17/02 through 2/12/02**, and consisted of **100 telephone interviews**, allocated as follows:
 - **70 Software Developers**
 - **30 Tax Return Transmitters**
 - Note: The original design for this study called for a total of 250 interviews across these two audiences. However, due to a limited universe available in IRS lists for this study, only 100 total interviews (each requiring heavy contact and re-contact) were achievable without over-intruding into these groups.

Areas of Investigation

- **Among both *Transmitters* and *Software Developers*:**
 - Quantify levels of customer satisfaction and dissatisfaction with their experience with BMF *e-file*.
 - Measure respondent knowledge of all ETA business products (name recognition).
 - Identify perceived strengths and weaknesses of IRS's current *e-file* options, (i.e., what is IRS NOT doing that they would like to see done).
 - Justify the strengths and weaknesses identified.
 - Evaluate the registration process that allows participants to use the system.
 - Identify opportunities for future ETA business product development.
 - Identify the effectiveness of IRS publications related to ETA business products.
- **Among both *Software Developers* specifically:**
 - Determine whether changes in tax filing specifications are delivered in time for SW Developers to react and revise software to reflect the changes.
 - Determine SW Developer satisfaction with the specification materials.
 - And determine whether they would prefer to offer a suite of different forms or separate products.

Statistical Notation

- The following statistical notation is used to guide understanding of the data collected in this study:
 - A circle is used to highlight significant differences between comparable sub-groups (at a 95% confidence level -- 2-tailed test).
 - A box is used to highlight directional differences between comparable sub-groups (at a 90% confidence level -- 2-tailed test).
 - ⌚ Dashed boxes are also sometimes used to highlight groups of data.
 - ** A double asterisk cautions the reader to an extremely small base size of less than 30. These size bases are too small for conventional statistical testing and are considered unreadable in terms of guidance. They are shown in this report only to provide a full report of all responses.
 - # Indicates less than ½ of 1%.



Executive Summary

Executive Summary

Results from the Benchmark Satisfaction Survey among Software Developers and Transmitters show:

For the IRS' Business e-file program overall:

- **While 74% of the total sample rated themselves satisfied with their experiences with the IRS' Business e-file program, only 22% were "very satisfied" (which is not a strong top-box score).**
 - The main points of dissatisfaction centered around frequent changes in the program, a perceived lack of IRS service and the high cost associated with participation in the program.
- **Given these modest levels of satisfaction with the Business e-file program, it is not surprising that almost two-thirds (62%) of the total SW Developer/Transmitter sample felt the program can be improved.**
 - Suggestions for improvements focused on a need for better notification of when changes occur and greater speed with which information is communicated by the IRS.
- **Within the program, the leading Federal business tax forms offered by SW Developers and Transmitters were Form 941, followed by Form 940, and then forms 1065 and 1040.**
- **Asked why they do not offer or plan to offer specific forms, respondents' reasons were generally similar regardless of the form and included the form not fitting into their business model, lack of demand from customers, and not yet having developed a product for a specific form.**
 - In the case of Form 1065 e-file specifically, lack of awareness may also play a role -- with only 59% of the Software Developers saying they were aware that this form can be filed electronically.

Executive Summary

In key findings for Form 940 e-file specifically:

- **80% of the sample rated themselves satisfied with their experience with the IRS as it related to Form 940 e-file, with 43% of them “very satisfied”. Only 9% were dissatisfied.**
 - Reasons for satisfaction centered around ease of use and general satisfaction with their experience with the IRS and this particular filing product.
- **39% thought this product could be improved -- especially in terms of its design and lead time on changes.**
- **Ratings of satisfaction on specific attributes showed its strengths to be Ease of Filing/Access to the Electronic Filing System and Timeliness of IRS Response, with weaknesses on other “timeliness” issues.**
- **Only about one-fourth of respondents said that their company provides customers with IRS publications, forms or instructions relating to this business e-file product.**

For Form 1065 e-file specifically:

- **Compared to the other Federal business tax forms, satisfaction with the experience of working with Form 1065 e-file was lower -- with only about two-thirds satisfied and just 24% “very satisfied”.**
- **55% thought this product could be improved -- mainly in terms of better IRS service, not making changes, and sending information about changes sooner.**
- **Based upon attribute ratings, Form 1065 e-file is perceived as having an Easy Application Process, having Timely Replies to Application, Offering Quality Customer Service, and having Quick Response to Acknowledgements. It was rated much lower in terms of Ease of Location of Materials on The IRS Website and Timeliness of IRS Response.**
- **42% of respondents claimed that their company provides their customers with IRS publications, forms or instructions relating to Form 1065 e-file.**

Executive Summary

In key findings for Form 941 e-file specifically:

- **83% of the total sample rated themselves satisfied with Form 941 e-file, with one-half being “very satisfied”.**
 - The electronic filing of Form 941 running smoothly and being an all-around positive experience were the leading reasons mentioned when respondents were asked why they were satisfied with this e-file product.
- **Yet, 47% said this product could be improved -- mainly by the IRS “making fewer changes”.**
- **Ratings of satisfaction with Form 941 e-file on its various attribute dimensions were somewhat lower than the same ratings of Form 1065 e-file and Form 940 e-file, with particularly low ratings on Timeliness Of Replies From The Application Process.**
- **Similar to Form 940 e-file, only one-fourth of all respondents mentioned that their company provides their customers with IRS publications, forms or instructions for Form 941 e-file.**

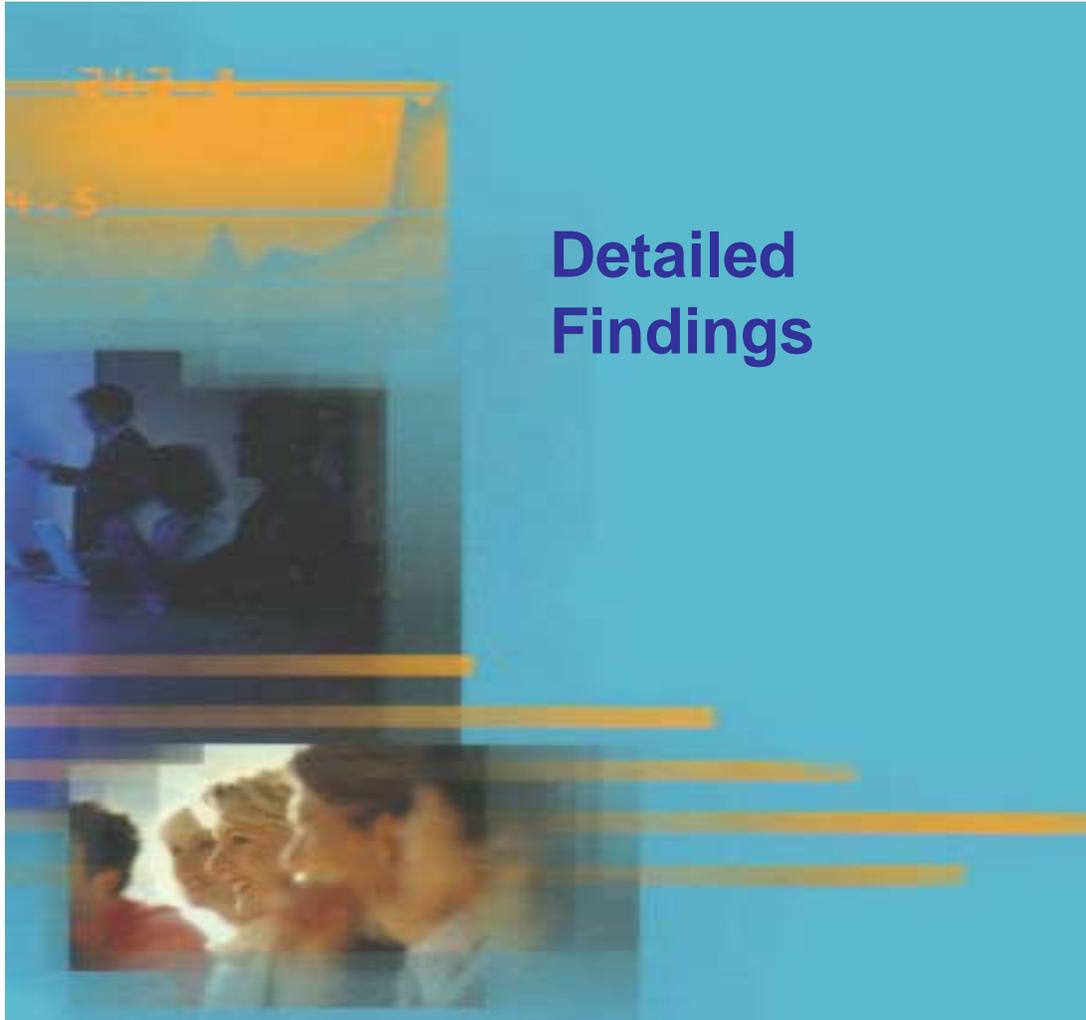
In findings from questions asked only of Software Developers:

- **52% of Software Developers felt that the changes in tax filing specifications that the IRS provides them with are NOT delivered with enough of a lead time to adequately reflect these changes in their product.**
 - How long of a lead time do they want? About 6 months prior to the release of the corresponding tax filing software.
- **Overall satisfaction with the specification materials received from the IRS was 70%, with only 37% “very satisfied”. Why are more of them not satisfied? Lack of timeliness in distribution of spec materials, too many changes, and the complexity of IRS information.**
- **Most SW Developers (69%) would prefer to offer a suite of several different business tax forms that could be bundled in one software product as opposed to offering separate products.**

Executive Summary

Finally, from other measures covered among both segments:

- **64% of the companies surveyed develop the software used to process employment taxes such as forms 940 and 941.**
 - SW Developers naturally were more likely to develop this software than were Transmitters (74% vs. 40%, respectively).
- **The vast majority of those respondents whose companies develop the software used to process employment taxes feel that their software packages are flexible enough to accommodate format changes or other requested changes.**
- **Respondents were evenly divided when asked if their companies were interested in developing XML-based software for the processing of employment taxes. They were also split on the question of whether or not XML-based software offered the best solution for the processing and transmission of employment taxes.**
- **The preferred method for receiving information from the IRS was e-mail, followed at much lower levels by the IRS Website and the U.S. Mail.**
- **Finally, 70% of SW Developers and 93% of Transmitters said they were interested in working with the IRS in the development of future Federal business tax form products.**
 - However, only about one-third of the sample was familiar with the application process required for a company to partner with the IRS.





**Awareness &
Involvement
With BMF *e-file*
Products**

Unaided Awareness of Tax Forms That Can Be e-filed

- When we asked which Federal tax forms could be filed electronically, both Software Developers and Transmitters tended to first mention Form 941, and then mention Forms 940, 1065, 1040, W-2s, and Form 1099. While bases for each segment individually are low (only 70 SW Developers and 30 Transmitters), we see that SW Developers focused most on Form 941, followed by W-2s and then Form 940, while Transmitters focused first on Forms 941 and 1065, followed by Forms 1040 and then 940.

	<u>Total</u> (100) %	<u>Software Developers</u> (70) %	<u>Tax Return Transmitters</u> (30) %
<u>Unaided Awareness</u>			
Form 941	55	57	50
Form 940	36	36	37
Form 1065	34	27	50
Form 1040	31	26	43
W-2	29	37	10
Form 1099	26	29	20
1120	8	6	13

Q. 1 – First, please describe all of the Federal Business and individual tax forms that can be filed electronically that you can think of.

Total Awareness of Tax Forms That Can Be e-filed

- In total, 85% or more in each group were aware of the major business tax forms, but with only the Transmitters having high awareness of Form 1065.

	<u>Total</u> (100) %	<u>Software Developers</u> (70) %	<u>Tax Return Transmitters</u> (30) %
Total Respondents			
<u>Total Awareness</u>			
Form 941	96	100	87
Form 940	87	87	87
Form 1040	85	83	90
Form 1065	65	59	80

Q. 2 – Following are some of the different Federal business and individual tax forms that can be filed electronically. Please tell me if you have ever heard of each of these.

Tax Form Software Developed & Sold / Forms Transmitted

- Asked which Federal business tax forms their company currently offers, both groups had higher mentions of Form 941, followed by 940 and then 1065 and 1040. Here, we see SW Developers being more likely to already offer forms 941 and 940, while Transmitters had slightly higher mentions of currently offering 1040 transmission.

	<u>Total</u>	<u>Software</u>	<u>Tax Return</u>
Total Respondents	(100)	Developers	Transmitters
	%	(70)	(30)
	%	%	%

Forms Developed & Sold/Transmitted

Form 941	67	71	47
Form 940	46	51	33
Form 1065	31	30	33
Form 1040	27	26	37

Q. 3 – Following are some of the possible Federal business and individual tax forms your company may offer. Please tell me which of the following forms are transmitted/developed and sold by your company.

Tax Forms Planning To Develop/Transmit

- Asked which Federal business tax forms their company plans to offer, both groups again had higher mentions of Form 941, followed by 940 and then 1065 and 1040; but, here we see Transmitters more likely to plan to offer Forms 940, 1065, and 1040 -- with both groups about equal in mentions of Form 941.

	<u>Total</u>	<u>Software</u>	<u>Tax Return</u>
Total Respondents	(100)	Developers	Transmitters
	%	(70)	(30)
		%	%

Forms Planning To Develop & Sell/Transmit

Form 941	49	50	47
Form 940	31	27	40
Form 1065	25	21	33
Form 1040	25	20	37

Q. 4 – And, which, if any, of the following Federal business and individual tax forms is your company planning to offer an electronic version of for next filing season?

Why Not Offer/Why Not Plan To Offer Form 940 e-file?

- Looking at reasons for not offering/not planning to offer Form 940 *e-file* as a product, we see that the main reasons related to a lack of customer demand, not fitting in their business model, and not having yet developed it. Note: bases are too small for analysis of differences in reasons by SW Developers and Transmitters, but their responses are detailed below.

	Total	Software Developers	Tax Return Transmitters
Total Whose Company Doesn't Offer/Plan To Offer Form 940 <i>e-file</i>	(44) %	(28**) %	(16**) %
<u>Capability (Net)</u>	<u>52</u>	<u>57</u>	<u>44</u>
It Doesn't Fit Our Business/Not Our Customer Base	32	36	25
Haven't Developed It Yet	11	14	6
Not Warranted By Market	9	7	13
<u>Customers (Net)</u>	<u>21</u>	<u>32</u>	<u>=</u>
Customers Don't Ask For It/No Demand	16	25	--
Only Payroll Customers/Not Payroll Related	5	7	--
<u>Miscellaneous</u>			
No Profit Potential	5	4	6
No Experience	2	--	6
Too Many Vendors	2	--	6
Just Don't/No Reason	14	7	25
Don't Know/No Answer	14	14	13

Q. 6 – Is there any specific reason why your company does not also offer/is not planning to offer an electronic version of Form 940?

Why Not Offer/Why Not Plan To Offer Form 1065 e-file?

- The top reasons for not offering/planning to offer Form 1065 e-file were that Form 1065 does not fit in their business model, it is not payroll related, and their customers don't ask for it. Again: bases are too small for analysis of differences by SW Developers and Transmitters.

	<u>Total</u>	<u>Software Developers</u>	<u>Tax Return Transmitters</u>
Total Whose Company Doesn't Offer/Plan To Offer Form 1065 e-file	(61)	(45)	(16**)
	%	%	%
<u>Capability (Net)</u>	<u>43</u>	<u>49</u>	<u>25</u>
It Doesn't Fit Our Business/Not Our Customer Base	33	38	19
Don't Do Individual Forms	7	9	--
Haven't Developed It Yet	2	2	--
Not Warranted By Market	2	--	6
<u>Customers (Net)</u>	<u>28</u>	<u>24</u>	<u>38</u>
Only Payroll Customers/Not Payroll Related	15	9	31
Customers Don't Ask For It/No Demand	13	16	6
<u>Miscellaneous</u>			
Just Doesn't Come Up	3	4	--
Just Don't/No Reason	10	7	19
Don't Know/No Answer	18	20	13

Q. 6 – Is there any specific reason why your company does not also offer/not planning to offer an electronic version of Form 1065?

Why Not Offer/Why Not Plan To Offer Form 941 e-file?

- Main reasons for not offering/planning to offer Form 941 *e-file* as a product were similar to those of Forms 940 and 1065, a lack of demand and not fitting in their business model. Once again, the bases are too small for analysis of differences by SW Developers and Transmitters.

	<u>Total</u> (23**) %	<u>Software</u> <u>Developers</u> (12**) %	<u>Tax Return</u> <u>Transmitters</u> (11**) %
Total Whose Company Doesn't Offer/Plan To Offer Form 941 <i>e-file</i>			
<u>Capability (Net)</u>	<u>48</u>	<u>58</u>	<u>36</u>
It Doesn't Fit Our Business/Not Our Customer Base	30	42	18
Not Warranted By Market	17	17	18
<u>Customers (Net)</u>	<u>22</u>	<u>33</u>	<u>9</u>
Customers Don't Ask For It/No Demand	17	25	9
Only Payroll Customers/Not Payroll Related	4	8	--
<u>Miscellaneous</u>			
Too Many Vendors	9	8	9
No Profit Potential	4	8	--
No Experience	4	--	9
Only For Business Taxes	4	8	--
Just Don't/No Reason	17	--	36
Don't Know/No Answer	4	--	9

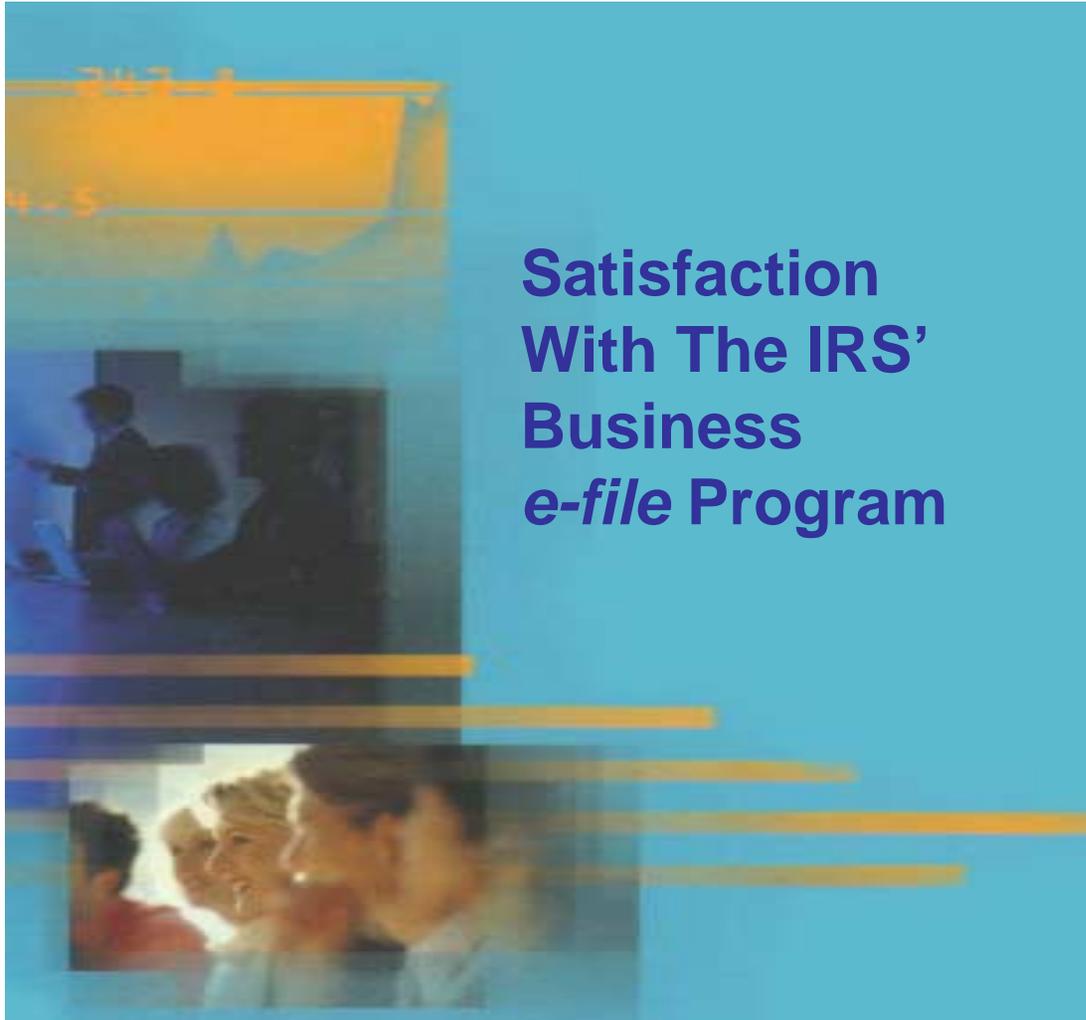
Q. 6 – Is there any specific reason why your company does not also offer/is not planning to offer an electronic version of Form 941?

Why Not Offer/Why Not Plan To Offer Form 1040 e-file?

- And, the leading reasons for not offering/planning to offer Form 1040 e-file as a product were that Form 1040 is not a payroll related form, customers don't demand it, and it doesn't fit in their business model, with bases again too small for analysis of differences by SW Developers and Transmitters.

	<u>Total</u>	<u>Software Developers</u>	<u>Tax Return Transmitters</u>
Total Whose Company Doesn't Offer/Plan To Offer Form 1040 e-file	(75) %	(59) %	(16**) %
<u>Capability (Net)</u>	<u>51</u>	<u>55</u>	<u>38</u>
It Doesn't Fit Our Business/Not Our Customer Base	32	33	31
Don't Do Individual Forms	8	10	--
Haven't Developed It Yet	5	6	--
Not Warranted By Market	5	4	6
<u>Customers (Net)</u>	<u>29</u>	<u>29</u>	<u>31</u>
Only Payroll Customers/Not Payroll Related	19	14	31
Customers Don't Ask For It/No Demand	12	14	6
<u>Miscellaneous</u>			
Only For Business Taxes	5	6	--
No Profit Potential	3	2	6
Too Many Vendors	3	2	6
Just Don't/No Reason	6	4	13
Don't Know/No Answer	11	10	13

Q. 6 – Is there any specific reason why your company does not also offer or is not planning to offer an electronic version of Form 1040?



**Satisfaction
With The IRS'
Business
e-file Program**

Satisfaction With The IRS' Business *e-file* Program

- We asked both groups to rate their overall satisfaction with the IRS' business *e-file* program and found that, in total, while 74% rated themselves satisfied, most of this (52%) was lukewarm satisfaction ("somewhat satisfied"), with the "very satisfied" ratings much lower (at 22%). The SW Developers fall largely into that second satisfaction rating (with 60% "somewhat satisfied"), while the Transmitters split between "very" and "somewhat" satisfied and yet still had a substantial proportion (30%) who described themselves as dissatisfied to some extent.

	<u>Total</u> (100) %	<u>Software Developers</u> (70) %	<u>Tax Return Transmitters</u> (30) %
<u>Top-2 Box Rating (net)</u>	<u>74</u>	<u>77</u>	<u>67</u>
Very Satisfied	22	17	33
Somewhat Satisfied	52	60	33
Not Very Satisfied	12	9	20
Not At All Satisfied	8	7	10
Don't Know/Refused	6	7	4

Q. 7 – Overall, how satisfied are you with the IRS' business *e-file* program as it relates to the electronic forms your company offer? Are you...(Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied).

Reasons For Satisfaction With The IRS' Business e-file Program

- So why is satisfaction with the program not stronger? We looked at reasons for being “somewhat” or “very” dissatisfied and found that they center around the frequency of changes made by the program, a perceived lack of IRS service (“hard to get a person to help you”, “takes too long for them to answer questions”), and the cost associated with participation in the program.

	<u>Total</u>	<u>Software Developers</u>	<u>Tax Return Transmitters</u>
Total Very/Somewhat Satisfied	(74) %	(54) %	(20**) %
<u>Positive Mentions (Net)</u>	<u>35</u>	<u>32</u>	<u>45</u>
Easy/Simple	11	11	10
No Problems/Complaints	11	9	15
People Are Helpful	5	2	15
Quick/Fast	3	2	5
<u>Neutral Mentions (Net)</u>	<u>16</u>	<u>20</u>	<u>5</u>
NEW BASE: Total Somewhat/Very Dissatisfied	(20**)	(11**)	(9**)
<u>Negative Mentions (Net)</u>	<u>90</u>	<u>100</u>	<u>78</u>
Too Many Changes Too Often	20	27	11
Hard To Get A Person To Help You	15	18	11
Expensive To Participate In Program	15	18	11
Takes Too Long For Them To Answer Questions	10	9	11
Not Gaining Any Market Share/New Business	10	9	11

Q. 8 – You say you are (INSERT RESPONSE FROM Q. 7). Why is that?

Can The IRS' Business *e-file* Program Be Improved?

- In line with the tepid satisfaction ratings, nearly two-thirds of each segment said that the IRS' business *e-file* program could be improved.

Total Respondents	<u>Total</u> (100) %	<u>Software Developers</u> (70) %	<u>Tax Return Transmitters</u> (30) %
Yes	62	61	63
No	35	34	37
Don't Know/Refused	3	4	0

Q. 9 – In your opinion, can the IRS do anything to increase you satisfaction with the business *e-file* program?
(Yes/No)

Ways Business e-file Program Can Be Improved

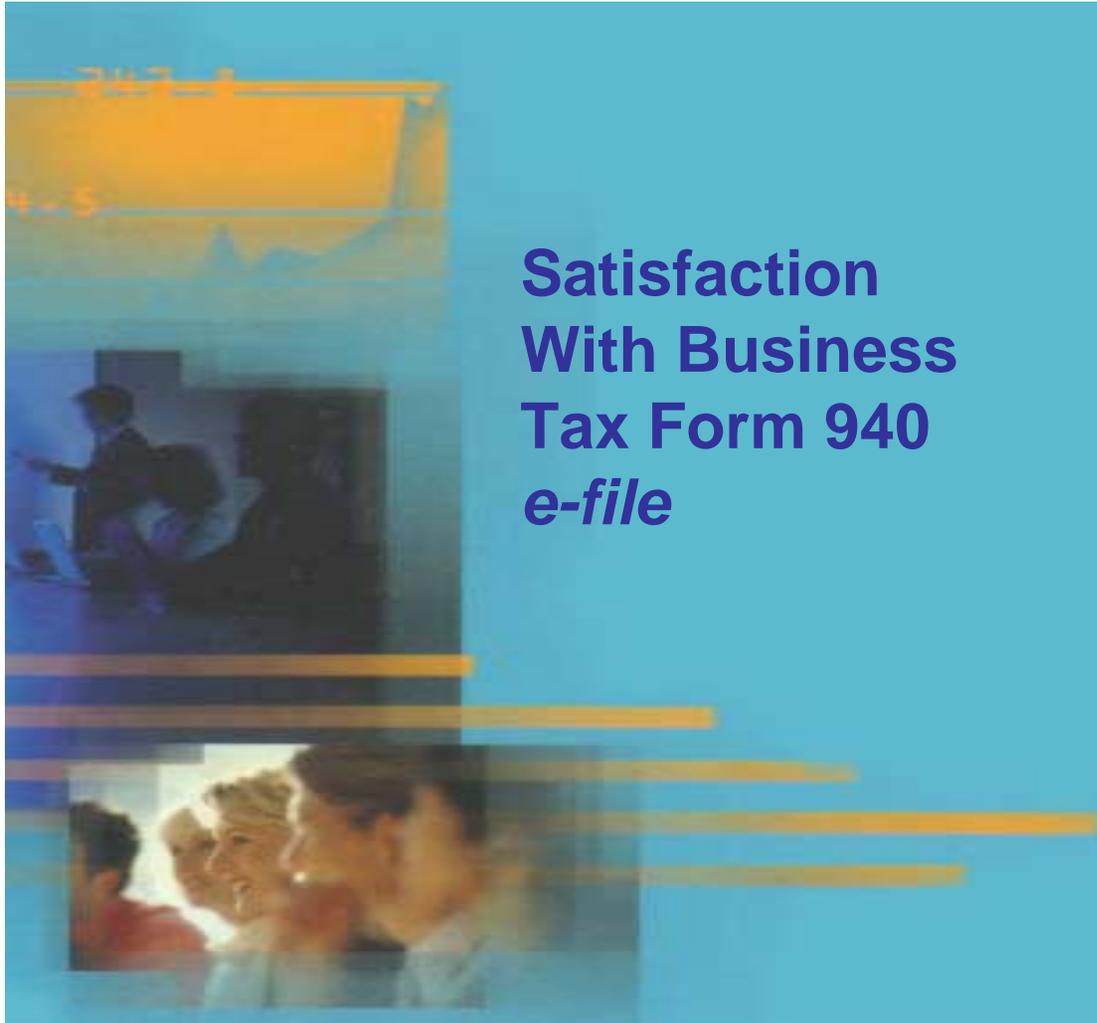
- From those who felt that the program *could* be improved, we found that top suggestions for improvement related to a need for better notification of changes that occur and a need for faster communication of information.

	Total	Software Developers	Tax Return Transmitters
Total Thought Program Can Be Improved	(62) %	(43) %	(19**) %
<u>Process (Net)</u>	<u>27</u>	<u>30</u>	<u>21</u>
Notify Companies When A Change Occurs	11	14	5
Simplify The Process (n.s.)	7	9	--
<u>Service (Net)</u>	<u>27</u>	<u>26</u>	<u>32</u>
Send Information Sooner	11	14	5
More People To Answer Questions	7	5	11
Make Staff More Knowledgeable	7	5	11
<u>Miscellaneous</u>			
Ability For IRS To Partner With Our Company	8	12	--
Improve Specifications	5	7	--
Don't Know/No Answer	3	2	5

High “All Other” mentions here are due to widely scattered and diffused responses which can not be coded into the points above. An example is shown below and a complete list of verbatim responses will be provided upon request.

➤ *More exposure to detail of functional use of electronic filing for end users*

Q. 10 – If Yes to Q. 9, Well, what specifically can the IRS do?



**Satisfaction
With Business
Tax Form 940
*e-file***

Satisfaction With The IRS Regarding Form 940 e-file

- When we asked respondents with any involvement in Form 940 e-file to rate their overall satisfaction with their experience with the IRS and this form, we found higher satisfaction ratings here than for the IRS' business e-file program overall. About 80% of each segment rated themselves satisfied, with 40-50% "very satisfied".

	<u>Total</u>	<u>Software Developers</u>	<u>Tax Return Transmitters</u>
Total Involved With Form 940 e-file	(46) %	(34) %	(12**) %
<u>Top-2 Box Rating (net)</u>	<u>80</u>	<u>79</u>	<u>83</u>
Very Satisfied	43	41	50
Somewhat Satisfied	37	38	33
Not Very Satisfied	5	6	0
Not At All Satisfied	4	3	8
Don't Know/Refused	11	12	8

Q. 11 – Overall, how satisfied are you with your experience with the IRS as it relates specifically to electronic versions of Form 940? Are you...(Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied)

Reasons For Satisfaction with Form 940 e-file

- Reasons for being satisfied with Form 940 e-file centered around ease of use and general satisfaction with their experience with the IRS and this particular product. However, about one-fifth of those rating themselves satisfied offered miscellaneous neutral and even negative comments when talking about why they were satisfied.

	<u>Total</u> (37*) %	<u>Software</u> <u>Developers</u> (27**) %	<u>Tax Return</u> <u>Transmitters</u> (10**) %
Total Involved With Form & Saying Very/Somewhat Satisfied			
<u>Positive Mentions (Net)</u>	<u>51</u>	<u>56</u>	<u>40</u>
Satisfied With It (With Experiences w/IRS And From 940)	22	26	10
Easy To Use/Simple	14	15	10
We're The Only Company That Can e-file 940s	5	4	10
All Other Positive Mentions	14	11	20
<u>Neutral Mentions (Net)</u>	<u>19</u>	<u>19</u>	<u>20</u>
<u>Negative Mentions (Net)</u>	<u>16</u>	<u>15</u>	<u>20</u>

Q. 12 – You say you are (INSERT RESPONSE FROM Q. 11). Why is that?

Can Electronic Filing of Form 940 *e-file* Be Improved?

- We asked if Form 940 *e-file* could be improved and 39% of those involved with the form said it could -- though with a higher perceived need for improvement among the Transmitters (whose base is quite small here, only 12 people).

	<u>Total</u> (46) %	<u>Software Developers</u> (34) %	<u>Tax Return Transmitters</u> (12**) %
Total Involved With Form 940 <i>e-file</i>			
Yes	39	35	50
No	57	59	50
Don't Know	4	6	0

Q. 13 – In your opinion, can the IRS do anything to increase your satisfaction with the programming, marketing, or management of electronic versions of Form 940? (Yes/No)

How Form 940 e-file Can Be Improved?

- The base sizes for suggestions for improvement for this product were too small for definitive analysis, so we show the verbatim mentions below -- which center around suggestions for improving various aspects of the overall program and even the form's design, along with suggestions that there be fewer changes and more timely notification of changes.

Improvement That Can Be Made To Form 940 e-file To Increase Satisfaction

SMALL BASES (18 PEOPLE) – VERBATIMS REPORTED ONLY

Program Design

- *They are redoing the program. Greater flexibility would be helpful.*
- *Improvement in overall design. (2 Total Mentions)*
- *Insure that future formats accommodate larger files.*
- *Instructional improvement – must be more understandable, plainer language.*
- *Let us scan forms in and bypass the approval process – that's the biggest issue.*
- *Limit the process...5 days automatic clearing house.*
- *Improve system response acknowledgement. Furnish control numbers for each document.*
- *They are converting to XML – that is good, I'm happy with that.*

Changes/Lead Time For Change Notification

- *The IRS should notify us of all changes in a timely manner. (4)*
- *Quit making changes. (2)*

Miscellaneous Mentions

- *Make everyone file electronically. Have a service do it or get a computer. (2)*
- *Partner with private companies.*

Q. 14 – What specifically can the IRS do to increase your satisfaction with the programming, marketing or management of electronic versions of Form 940?

Satisfaction Ratings For Form 940 e-file

- We asked respondents involved in Form 940 e-file to rate their satisfaction with it on several dimensions and found that it was rated highest in terms of “ease of filing or access to the Electronic Filing System” and “timeliness of responses provided by the IRS”. Other dimensions, including other “timeliness” attributes, had lower satisfaction.

	<u>Total</u>	<u>Software Developers</u>	<u>Tax Return Transmitters</u>
Total Involved With Form 940 e-file	(46) %	(34) %	(12**) %

Top-Two Box Summary (Very/Somewhat Satisfied)

The ease of filing or access to the Electronic Filing System	76	74	83
The timeliness of responses provided by the IRS	72	68	83
The ease of the application process	67	62	83
The timeliness of corrections to transmission/file problems	67	65	75
The ease of locating applicable materials on the IRS Website	65	68	58
The quality of customer service provided by the IRS	65	62	75
Response time to acknowledgements	65	62	75
The timeliness of replies from the application process	63	59	75
The quality of acknowledgement files or reports	63	65	58

Q. 15 – Please rate how satisfied you are with electronic Form 940 in terms of each of the following characteristics. (Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied)

Form 940 *e-file* Publications, Forms, & Instructions

- 26% of all respondents involved with this form said that their company provides customers with IRS publications, forms, or instructions relating to this business *e-file* product.

	<u>Total</u> (46) %	<u>Software Developers</u> (34) %	<u>Tax Return Transmitters</u> (12**) %
Total Involved With Form 940 <i>e-file</i>			
<u>Does Your Company Provide Users With Any IRS Publications, Forms or Instructions Relating Specifically to Form 940 <i>e-file</i>?</u>			
Yes	26	24	33
No	74	76	67

Q. 16 – Do you provide users with any IRS publications, forms, or instructions relating specifically to electronic filing of Form 940? (Yes/No)

Helpfulness Of Publications, Forms, & Instructions

- Among the small sub-base of respondents who said their firm provides customers with these documents, the vast majority thought that their customers find these documents helpful.

Total Involved With 940 e-file Who Provide Pubs/Forms/Instructions Relating To Form 940 e-file	<u>Total</u> (12**) %	<u>Software Developers</u> (8**) %	<u>Tax Return Transmitters</u> (4**) %
<u>Top-2 Box Rating (net)</u>	<u>92</u>	<u>88</u>	<u>100</u>
Very Helpful	42	38	50
Somewhat Helpful	50	50	50
Not Very Helpful	8	12	0
Not At All Helpful	0	0	0

Q. 17 – Overall, how helpful do you feel these publications, forms, or instructions are to businesses filing Form 940 electronically? Are they...(Very Helpful, Somewhat Helpful, Not Very Helpful, Not At All Helpful)

Reasons For Helpfulness Of Publications, Forms, & Instructions

- Following are verbatim comments about the helpfulness of these documents to customers.

Reasons Why Form 940 e-file Publications Are Helpful/Not Helpful

SMALL BASES (12 PEOPLE) – VERBATIMS REPORTED ONLY

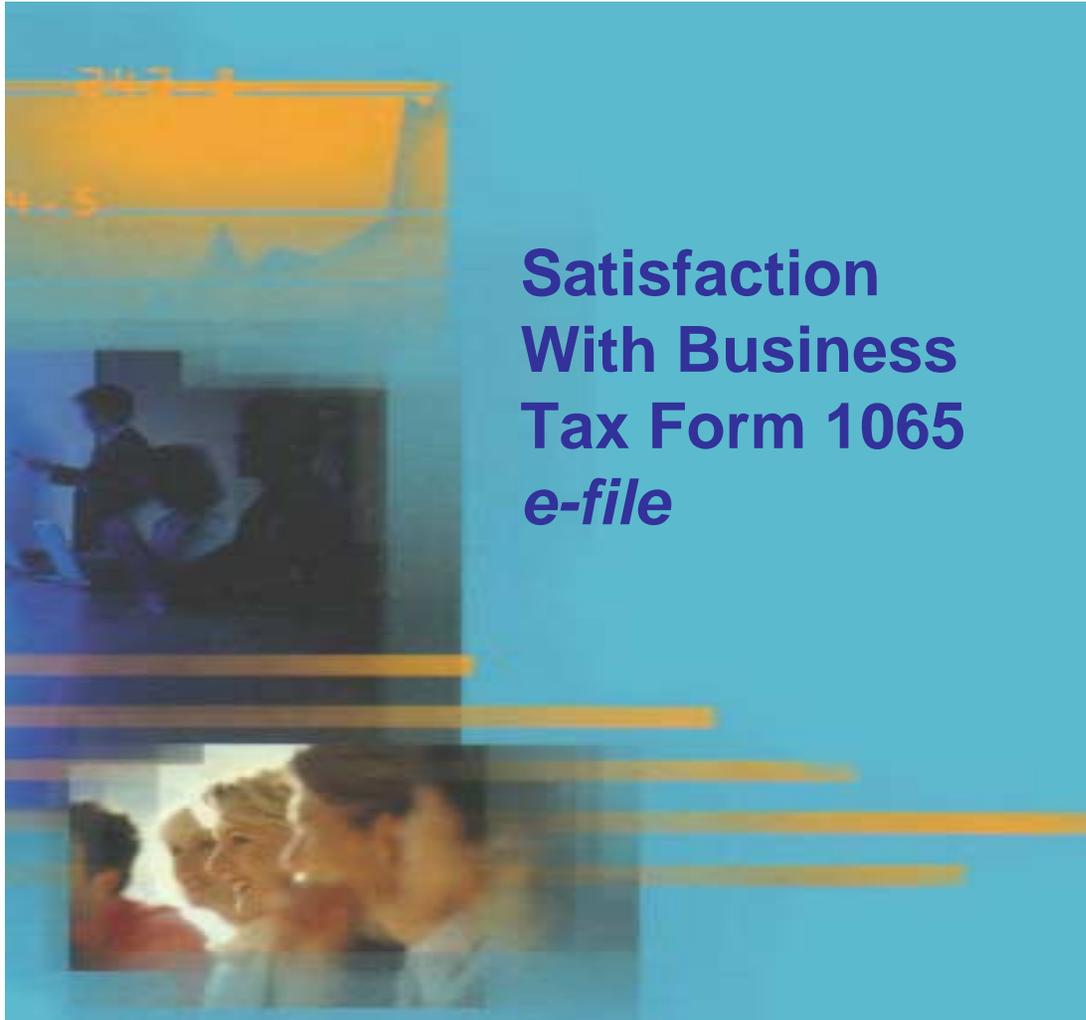
Reasons Why They Are Helpful

- *They are clear enough and explain what to do.*
- *The overview process to customers is quickly communicated.*
- *It's a step-by-step process.*
- *I think most of them explain things very well.*
- *They provide good information which would be helpful.*
- *They are clear enough, they explain what to do.*
- *They are very simple.*
- *They haven't had any problems.*
- *Clients have a choice. They are convenient for those who understand the process.*

Reasons Why They Are Not Helpful

- *The program has a lot of questions.*
- *They rely on us to explain how things are done.*
- *The process is too cumbersome. e-file is designed for big business – 95% of businesses have less than 100 employees.*

Q. 18 – Reasons for helpfulness of publications, forms and instructions.



**Satisfaction
With Business
Tax Form 1065
*e-file***

Satisfaction With The IRS Regarding Form 1065 e-file

- When we asked respondents involved with Form 1065 e-file to rate their overall satisfaction with their experience with the IRS and this electronic form, we found lower satisfaction ratings than for Forms 940 e-file and 941 e-file, with only about two-thirds satisfied -- and with particularly low satisfaction among Transmitters (note that the segment bases here are quite small and not projectable).

Total Involved With Form 1065 e-file	Total (33) %	Software Developers (21**) %	Tax Return Transmitters (12**) %
<u>Top-2 Box Rating (net)</u>	<u>67</u>	<u>71</u>	<u>58</u>
Very Satisfied	24	24	25
Somewhat Satisfied	43	48	33
Not Very Satisfied	18	14	25
Not At All Satisfied	9	5	17
Don't Know/Refused	6	9	0

Q. 19 – Overall, how satisfied are you with your experience with the IRS as it relates specifically to electronic versions of Form 1065? Are you...(Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied)

Reasons For Satisfaction with Form 1065 e-file

- With the rating of 1065 e-file being so much lower than that of the other forms, we focused on what left respondents less than satisfied and found that the main perceived problems with this form were that the IRS needs to improve timeliness of response and service related to it.

	Total	Software Developers	Tax Return Transmitters
Total Involved With Form 1065 e-file	(33) %	(21**) %	(12**) %
<u>Process (Net)</u>	<u>26</u>	<u>26</u>	<u>25</u>
Improve Transmission Problems	7	5	25
Stay With Original Rules	6	5	8
Notify Companies When A Change Occurs	3	5	--
<u>Service (Net)</u>	<u>35</u>	<u>32</u>	<u>42</u>
More People To Answer Questions	7	5	8
Make It Easier To Talk To An Actual Person	7	5	8
Make Staff More Knowledgeable	7	5	8
<u>Miscellaneous</u>			
Improve Timeliness Of Response	29	26	33
Nothing/No Problems	23	26	17

Q. 20 – You say you are (INSERT RESPONSE FROM Q. 19). Why is that?

Can Electronic Filing of Form 1065 e-file Be Improved?

- When we asked if Form 1065 e-file could be improved, 55% of the total sample (and about 50% or more of each segment) said that it could.

Total Involved With Form 1065 e-file	<u>Total</u> (33) %	<u>Software Developers</u> (21**) %	<u>Tax Return Transmitters</u> (12**) %
Yes	55	57	50
No	39	33	50
Don't Know/Refused	6	10	0

Q. 21 – In your opinion, can the IRS do anything to increase your satisfaction with the programming, marketing, or management of electronic versions of Form 1065? (Yes/No)

How Form 1065 e-file Can Be Improved?

- The base sizes for analysis of suggestions for improvement for this product were quite small, so here too, we show verbatim mentions. These tend to center around suggestions for adding employees who have a better understanding of the tax forms and specs., not changing the program and sending changes sooner.

Improvement That Can Be Made To Form 1065 e-file To Increase Satisfaction

SMALL BASES (18 PEOPLE) – VERBATIMS REPORTED ONLY

- *Need more people with a better understanding of the tax forms and specs. (3 Total Mentions)*
- *Provide December itinerary dates.*
- *Have technicians on a help line set up for developers and transmitters to answer questions.*
- *More marketing of Form 1065.*
- *Send more information sooner about any IRS changes. (2)*
- *Stay with the original rules, stay with the original program. (3)*
- *Have one contact person who can funnel my question to others in the IRS, so I don't have to do this.*
- *Improve the process for getting problems resolved.*
- *They should have our name on their website.*
- *Need immediate feedback from IRS.*
- *Need faster transmission time.*
- *Need better response and timely, definitive answers and responses to problems.*
- *Need information put on the Web in a timely manner.*

Q. 22 – If Yes to Q. 21, Well, what specifically can the IRS do?

Satisfaction Ratings For Form 1065 e-file

- Respondent ratings of satisfaction with Form 1065 e-file on its various product dimensions showed that it was perceived as strongest in terms of “ease of application”, “timeliness of replies from the application process”, “quality of customer service provided by IRS”, and “response time to acknowledgements”. It was rated far lower in terms of “ease of locating materials on the IRS Website” and “timeliness of responses provided by IRS”.

	Total	Software Developers	Tax Return Transmitters
Total Involved With Form 1065 e-file	(33)	(21**)	(12**)
	%	%	%

Top-Two Box Summary (Very/Somewhat Satisfied)

The ease of the application process	79	76	83
The timeliness of replies from the application process	73	71	75
The quality of customer service provided by the IRS	73	71	75
Response time to acknowledgements	70	71	67
The ease of filing or access to the Electronic Filing System	67	62	75
The quality of acknowledgement files or reports	67	76	50
The timeliness of corrections to transmission/file problems	64	71	50
The ease of locating applicable materials on the IRS Website	58	52	67
The timeliness of responses provided by the IRS	58	57	58

Q. 23 – Please rate how satisfied you are with electronic Form 1065 in terms of each of the following characteristics. (Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied)

Form 1065 e-file Publications, Forms, & Instructions

- 42% of the sample said that their company provides its customers with IRS publications, forms, or instructions for 1065 e-file.

	<u>Total</u> (33) %	<u>Software Developers</u> (21**) %	<u>Tax Return Transmitters</u> (12**) %
Total Involved With Form 1065 e-file			
<u>Does Your Company Provide Users With Any IRS Publications, Forms or Instructions Relating Specifically to Form 1065 e-file?</u>			
Yes	42	52	25
No	49	43	58
Don't Know/Refused	9	5	17

Q. 24 – Do you provide users with any IRS publications, forms, or instructions relating specifically to electronic filing of Form 1065? (Yes/No)

Helpfulness Of Publications, Forms, & Instructions

- Among the small base of SW Developers who said their firm provides 1065 *e-file* customers with these documents, 91% said that customers find them helpful. Only 3 Transmitters answered this question.

Total Who Provide IRS Publications, Forms or Instructions Relating To Form 1065 <i>e-file</i>	<u>Total</u> (14**) %	<u>Software Developers</u> (11**) %	<u>Tax Return Transmitters</u> (3**) %
<u>Top-2 Box Rating (net)</u>	<u>79</u>	<u>91</u>	<u>33</u>
Very Helpful	22	27	0
Somewhat Helpful	57	64	33
Not Very Helpful	14	9	33
Not At All Helpful	7	0	33

Q. 25 – Overall, how helpful do you feel these publications, forms, or instructions are to businesses filing Form 1065 electronically? Are they...(Very Helpful, Somewhat Helpful, Not Very Helpful, Not At All Helpful)

Reasons For Helpfulness Of Publications, Forms, & Instructions

- Below are respondents' verbatim comments about the helpfulness of 1065 e-file publications, forms, and instructions.

Reasons Why Form 1065 e-file Publications Are Helpful/Not Helpful

SMALL BASES (13 PEOPLE) – VERBATIMS REPORTED ONLY

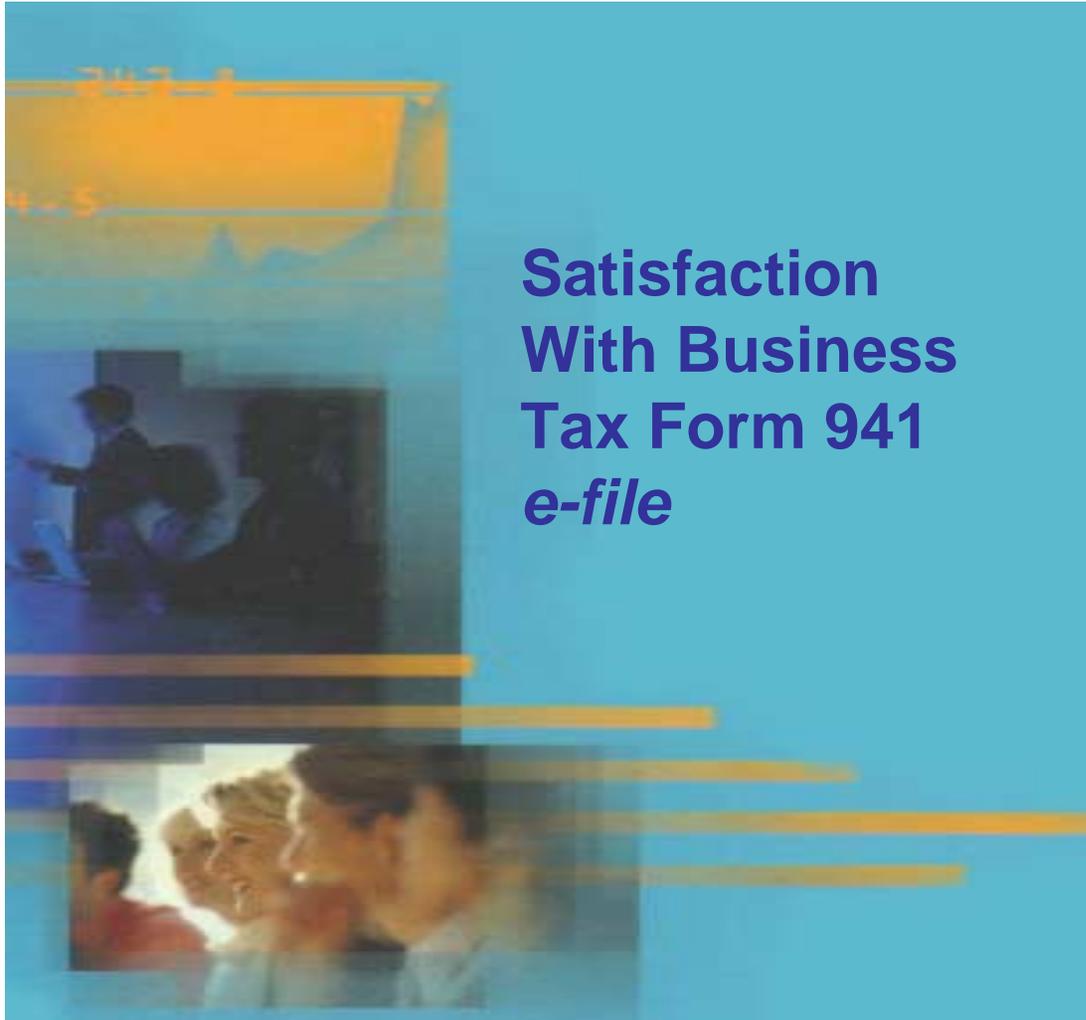
Reasons Why The Are Helpful

- *Our users have not had problems.*
- *Anytime you get anything from the government it will be written in good language – it's helpful.*
- *It's very helpful.*
- *Good reference, easy and accessible.*

Reasons Why The Are Not Helpful

- *They are not as good as they could be. They're lacking in ease of understanding and are too technical.*
- *The forms are not written for the end user – these forms target developers instead.*
- *There are always questions that are not explained – more technical questions that we need answers to.*
- *They need to send more information sooner regarding changes.*
- *There are specific issues these publications don't address.*
- *It's still ambiguous stuff – not clear.*
- *Because sometimes the customers don't use them. (2 Total Mentions)*
- *Too little on the reject codes; too little information about why it failed (why there's a reject).*

Q. 26 – Reasons for helpfulness of publications, forms and instructions.



**Satisfaction
With Business
Tax Form 941
*e-file***

Satisfaction With The IRS Regarding Form 941 *e-file*

- When we asked each segment to rate their overall satisfaction with Form 941 *e-file*, we found the same level of high satisfaction ratings as for Form 940 *e-file* -- with over 80% of each segment rating themselves satisfied, with 44-52% “very satisfied”.

	<u>Total</u> (64) %	<u>Software Developers</u> (48) %	<u>Tax Return Transmitters</u> (16**) %
Total Involved With Form 941 <i>e-file</i>			
<u>Top-2 Box Rating (net)</u>	<u>83</u>	<u>81</u>	<u>88</u>
Very Satisfied	50	52	44
Somewhat Satisfied	33	29	44
Not Very Satisfied	3	2	6
Not At All Satisfied	5	4	6
Don't Know/Refused	9	13	0

Q. 27 – Overall, how satisfied are you with your experience with the IRS as it relates specifically to electronic versions of Form 941? Are you...(Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied)

Reasons For Satisfaction with Form 941 e-file

- Reasons for the high satisfaction ratings that we saw for the 941 e-file product centered around positive mentions including the filing method resulting in a good experience, and running smoothly. Again, however, there are substantial negative mentions -- although none are focused on a particular problem.

	<u>Total</u>	<u>Software Developers</u>	<u>Tax Return Transmitters</u>
Total Involved With Form 941 e-file	(58) %	(42) %	(16**) %
<u>Positive Mentions (Net)</u>	<u>57</u>	<u>62</u>	<u>44</u>
Runs Smoothly	19	21	13
Good Experience	14	14	13
Process Works Well	12	14	6
Clients Are Happy/No Complaints	9	12	--
Easy To Use/Work With	5	7	--
Good Support	5	7	--
<u>Neutral Mentions (Net)</u>	<u>7</u>	<u>5</u>	<u>13</u>
<u>Negative Mentions (Net)</u>	<u>28</u>	<u>24</u>	<u>38</u>
Too Difficult Complicated	3	7	13
All Other Scattered Miscellaneous Mentions	22	20	29
Nothing/No Problems	2	--	6
Don't Know	7	10	--

Q. 28 – You say you are (INSERT RESPONSE FROM Q. 27). Why is that?

Can Electronic Filing of Form 941 *e-file* Be Improved?

- We also asked if Form 941 *e-file* could be improved and found that, despite the high satisfaction ratings, about half of the target audience said that this electronic Business form can be improved -- with about equal perceived need for improvement in both segments.

	<u>Total</u> (64) %	<u>Software Developers</u> (48) %	<u>Tax Return Transmitters</u> (16**) %
Total Involved With Form 941 <i>e-file</i>			
Yes	47	48	44
No	45	42	56
Don't Know/Refused	8	10	0

Q. 29 – In your opinion, can the IRS do anything to increase your satisfaction with the programming, marketing, or management of electronic versions of Form 941? (Yes/No)

How Form 941 e-file Can Be Improved?

- Here, too, with the actual base sizes for analysis of suggestions for improvement being quite small, we show the verbatim mentions below and note that they are generally diffused and not centering around any single outstanding suggestion (aside from “make fewer changes”).

How form 941 e-file Can Be Improved

SMALL BASES (22 PEOPLE) – VERBATIMS REPORTED ONLY

- *Get me users by giving incentives to e-file Form 941.*
- *The deposit form needs to be computer generated.*
- *Make the file size smaller. The file size will triple if they go to XML, creates a problem for us,*
- *Release XML version.*
- *Make the online search easier so people can find documents they need faster.*
- *The efficiency and overall design need improvement.*
- *Make everyone use it.*
- *Make fewer changes/don't change it. (4 Total Mentions)*
- *More consistency from the IRS. Sometimes they don't know what they're talking about.*
- *Get forms scanned. Same issues as Form 940.*
- *Report changes in format three months ahead of time.*
- *Give us the tools to e-file easily.*
- *Send updates correctly – our customers get the updates and have to forward them to us.*
- *The documentation needs to be simplified.*
- *Partner with private companies.*
- *Consistency across a range of forms.*
- *Give more support to e-file for business.*
- *Give more information to the software development department.*
- *Provide us with electronic notice of changes.*

Q. 30 – If Yes to Q. 29, Well, what specifically can the IRS do?

Satisfaction Ratings For Form 941 e-file

- Ratings of satisfaction with Form 941 e-file on its various dimensions showed that it was perceived as strongest in terms of “ease of filing or access to the Electronic Filing System”, with generally lower satisfaction on most other attributes -- especially “timeliness of replies from the application process”.

	<u>Total</u>	<u>Software</u>	<u>Tax Return</u>
	(64)	Developers	Transmitters
	%	(48)	(16**)
		%	%
Total Involved With Form 941 e-file			

Top-Two Box Summary (Very/Somewhat Satisfied)

	69	67	75
The ease of filing or access to the Electronic Filing System			
The timeliness of responses provided by the IRS	66	67	63
The ease of the application process	64	65	63
The quality of customer service provided by the IRS	64	65	63
The ease of locating applicable materials on the IRS Website	63	60	69
The timeliness of corrections to transmission/file problems	61	63	56
Response time to acknowledgements	61	56	75
The quality of acknowledgement files or reports	58	56	63
The timeliness of replies from the application process	52	48	63

Q. 31 – Please rate how satisfied you are with electronic Form 941 in terms of each of the following characteristics. (Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied)

Form 941 e-file Publications, Forms, & Instructions

- 25% of all respondents said that their company provides customers with IRS publications, forms, or instructions relating to Form 941 e-file.

	<u>Total</u> (64) %	<u>Software Developers</u> (48) %	<u>Tax Return Transmitters</u> (16**) %
Total Involved With Form 941 e-file			
<u>Does Your Company Provide Users With Any IRS Publications, Forms or Instructions Relating Specifically to Form 941 e-file?</u>			
Yes	25	27	19
No	70	69	75
Don't Know/Refused	5	4	6

Q. 32 – Do you provide users with any IRS publications, forms, or instructions relating specifically to electronic filing of Form 941? (Yes/No)

Helpfulness Of Publications, Forms, & Instructions

- Among the small base of SW Developers who said their firm provides 941 *e-file* customers with publications, forms, or instructions, 69% said that customers find them helpful. Again, only 3 Transmitters answered this question.

Total Who Provide IRS Publications, Forms or Instructions Relating To Form 941 <i>e-file</i>	<u>Total</u> (16**) %	<u>Software</u> <u>Developers</u> (13**) %	<u>Tax Return</u> <u>Transmitters</u> (3**) %
<u>Top-2 Box Rating (net)</u>	<u>76</u>	<u>69</u>	<u>100</u>
Very Helpful	38	31	66
Somewhat Helpful	38	38	34
Not Very Helpful	12	15	0
Not At All Helpful	6	8	0
Don't Know/Refused	6	8	0

Q. 33 – Overall, how helpful do you feel these publications, forms, or instructions are to businesses filing Form 941 electronically? Are they...(Very Helpful, Somewhat Helpful, Not Very Helpful, Not At All Helpful)

Reasons For Helpfulness Of Publications, Forms, & Instructions

- Following are verbatim comments about the helpfulness of 941 e-file publications, forms, and instructions.

Reasons Why Form 941 e-file Publications Are Helpful/Not Helpful

SMALL BASES (16 PEOPLE) – VERBATIMS REPORTED ONLY

Reasons Why They Are Helpful

- *Users have had very few problems. (5 Total Mentions)*
- *They offer detailed, complete information.*
- *They send more information sooner of any changes – maybe e-mail monthly.*
- *It's a step-by-step process.*
- *Because they are required – that's the only reason I think they're somewhat helpful.*
- *Again, I think they explain things well.*

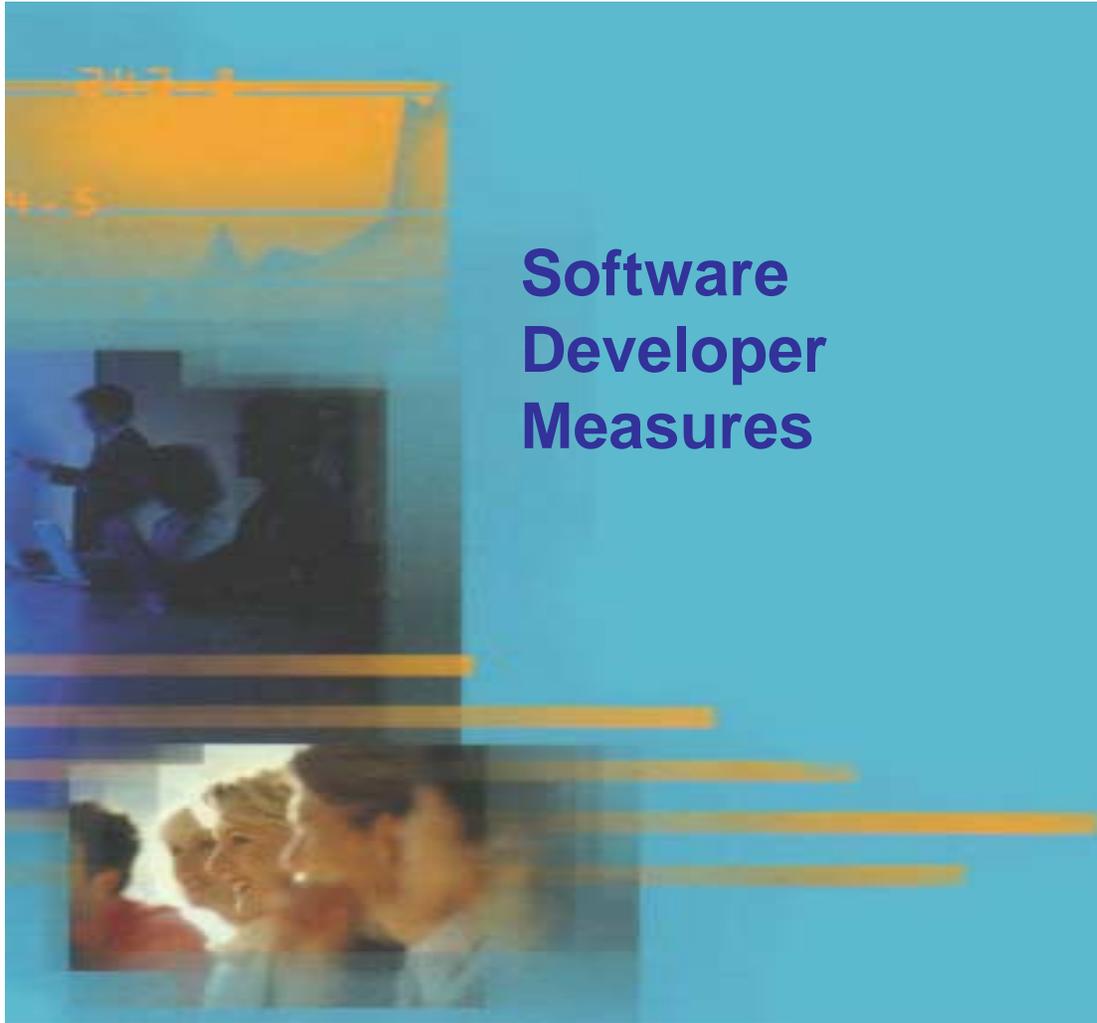
Reasons Why They Are Not Helpful

- *They are still many questions.*
- *Again they rely on us to explain everything to them.*
- *We provide the backside of Form 941 – it doesn't have all the instructions on it.*
- *Because clients don't read the literature.*
- *The process is too cumbersome.*

Neutral Mentions

- *I've never filed a business form so I don't know how helpful they are.*

Q. 34 – Reasons for helpfulness of publications, forms and instructions.



Software Developer Measures

Timing Of Delivery Of Tax Filing Specification Changes

- In the first of several questions for SW Developers only, we asked if they feel that the tax filing specifications that the IRS provides them with are delivered with enough lead time for them to adequately react and revise software to reflect the changes. In line with what we have seen in the earlier analyses, a majority of Software Developers (52%) felt that the changes are not delivered soon enough.

Total Software Developers	Software Developers (70) %
<u>Enough Lead Time To React and Revise Software?</u>	
Yes	44
No	52
Don't Know	4

Q. 35 – I would like to talk to you for a moment about the changes in tax filing specifications that the IRS provides software developers regarding each Federal business tax form. Do you feel that these changes are provided to software developers with enough lead time to allow you to react and revise your software to adequately reflect these changes? (Yes/No)

Requested Lead Time For Tax Filing Changes

- When SW Developers were asked how much of lead time is necessary in order to adequately reflect changes, four of five felt that 6 months would suffice.

	Software Developers
Total Software Developers Who Feel Changes In Tax Filing Specifications Come In Time To React & Revise Software Adequately	(31) %

Lead Time Needed Prior To The Release Of The Corresponding Tax Filing Software...

6 months	81
12 months	13
18 months	3
24 months	0
More than 24 months	0
Don't Know/Refused	3

Q. 36 – If Yes to Q. 35, How much lead time do you feel is necessary in order to effectively react and revise your software to adequately reflect these changes? Do you feel these specification changes should be provided to software developers...

Satisfaction With Specification Materials Received From IRS

- We asked SW Developers to rate their overall satisfaction with the specification materials received from the IRS and found that 70% rated themselves satisfied, with one-third mentioning that they were “very satisfied”.

	Software Developers
Total Software Developers	(70) %
<u>Top-2 Box Rating (net)</u>	<u>70</u>
Very Satisfied	36
Somewhat Satisfied	34
Not Very Satisfied	14
Not At All Satisfied	3
Don't Know	13

Q. 37 – Overall, how satisfied are you with the specification materials you receive from the IRS? Are you...(Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied)

Reasons For Satisfaction With Materials Received From IRS

- Those SW Developers who were less than “very satisfied” with the spec materials were asked for reasons for their ratings. We found that their reasons centered around the lack of timeliness in distribution of spec materials, the complexity of the information, and the frequent revisions.

	Software Developers
Total Somewhat Satisfied/Somewhat/Very Dissatisfied With Materials Received From IRS	(36) %
<u>Information (Net)</u>	<u>64</u>
Difficult To Understand/Complicated	19
Frequent Revisions/Lots Of Changes	14
Too Much Detail	8
Inconsistent Information	8
Rejections Are Not Clear	6
Specs Should Be Sent Out Sooner	6
Need To Be More Precise	6
<u>Ease/Convenience (Net)</u>	<u>51</u>
Not Distributed In A Timely Manner	39
Have To Go Get It Myself	6
Difficult To Program	8
Don't Know	6

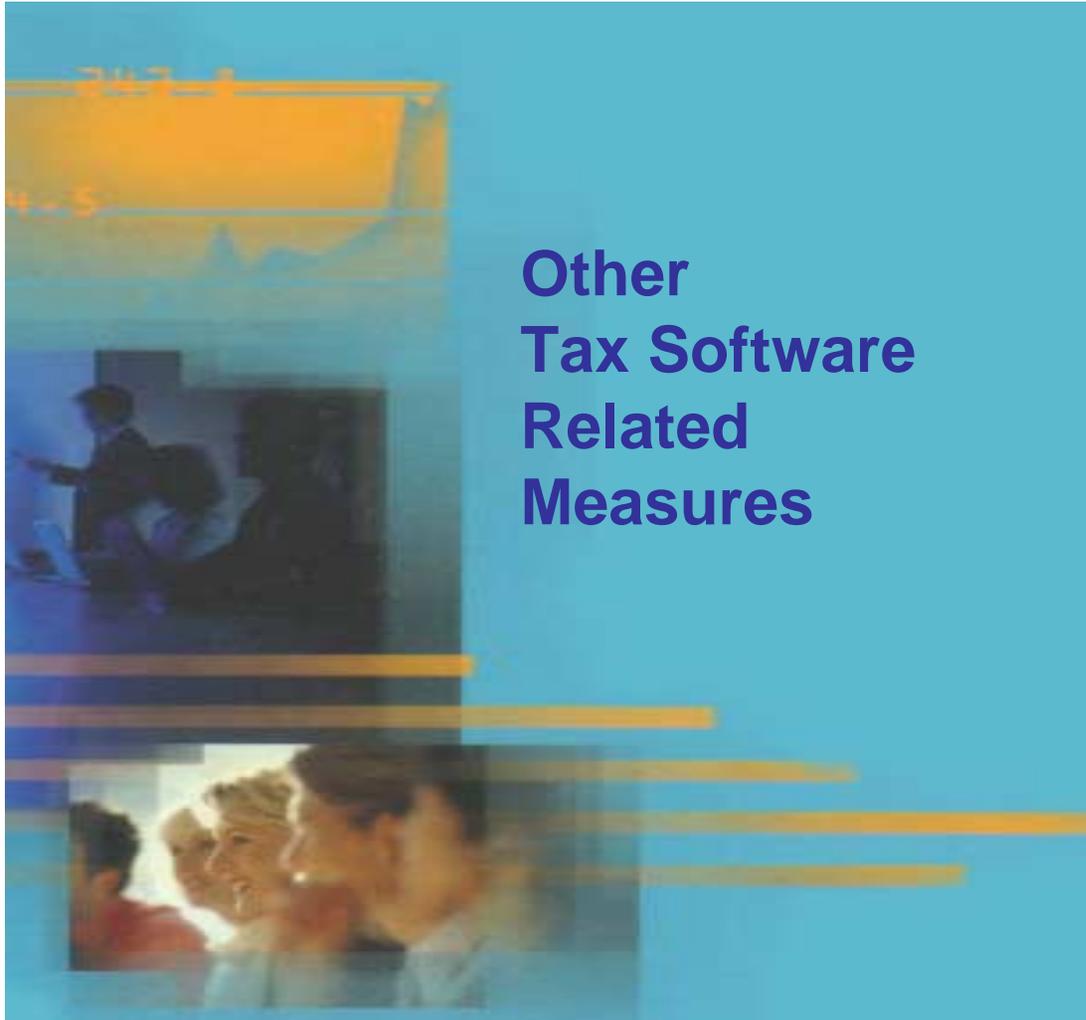
Q. 38 – If Somewhat Satisfied/Somewhat Dissatisfied/Very Dissatisfied in Q. 37, What specifically are you less than satisfied with regarding specification materials received from the IRS?

Preference For Separate Products Or A Suite

- Most SW Developers (69%) would prefer to offer a suite of several different business tax forms that could be bundled in one software product as opposed to offering several separate software products.

	Software Developers (70) %
Total Software Developers	
<u>Separate Software Products vs. Suite</u>	
Separate Software Products	23
A Suite With Several Different Business Tax Forms	69
Don't Know	8

Q. 39 – Would you prefer to offer separate software products for each Federal business tax form, or a suite, where several different Federal business tax forms could be bundled in one software product?



**Other
Tax Software
Related
Measures**

Software Developed To Process Employment Taxes

- About two-thirds of the companies represented in our total sample develop the software used to process employment taxes such as Form 940 and 941. As expected, SW Developers are more likely to develop this software.

	<u>Total</u> (100) %	<u>Software Developers</u> (70) %	<u>Tax Return Transmitters</u> (30) %
<u>Forms 940 and 941...</u>			
Yes	64	74	40
No	36	26	60

Q. 40 – Does your company develop the software used to process employment taxes such as Forms 940 and 941? (Yes/No)

Software Flexibility In Accommodating Changes

- The vast majority of both SW Developers and Transmitters rated their software packages flexible in accommodating format changes or other changes requested by the IRS in order to comply with changes in legislation.

	<u>Total</u>	<u>Software Developers</u>	<u>Tax Return Transmitters</u>
Total Whose Company Develops The Software Used To Process Employment Taxes	(64) %	(52) %	(12**) %

Flexibility Of Software Package

<u>Top-2 Box Rating (net)</u>	<u>94</u>	<u>94</u>	<u>92</u>
Very Flexible	61	63	50
Somewhat Flexible	33	31	42
Not Very Flexible	6	6	8
Not At All Flexible	0	0	0

Q. 41 – If Yes to Q. 40, How flexible is your software package in accommodating format changes or other changes requested by the IRS that may be needed to comply with changes in legislation? Is It...(Very Flexible, Somewhat Flexible, Not Very Flexible, Not At All Flexible)

Processing & Transmission Of Employment Taxes

- Respondents whose companies do not develop the software used to process employment taxes were asked if the software package that their company uses or offers allows for the processing and transmission of these employment taxes to the IRS. Three-fourths said that their software does not allow for the processing and transmission of these taxes.

	<u>Total</u>	<u>Software</u>	<u>Tax Return</u>
Total Whose Company Does Not Develop The Software Used To Process Employment Taxes	(36) %	(18**) %	(18**) %

Able To Process/Transmit Employment Taxes To The IRS

Yes	25	28	22
No	75	72	78

Q. 42 – If No to Q. 40, Does the software package that your company uses/offers allow the processing and transmission of these employment taxes to the IRS? (Yes/No)

XML Software Packages For Processing Taxes

- We asked all respondents if their companies would be interested in developing XML-based software packages for processing employment taxes and found that just over half would be interested -- with clearly higher interest among SW Developers than among Transmitters.

	<u>Total</u> (100) %	<u>Software Developers</u> (70) %	<u>Tax Return Transmitters</u> (30) %
Total Respondents			
<u>Interest In Developing XML- Based Software Packages</u>			
Yes	52	57	40
No	44	39	57
Don't Know/No Answer	4	4	3

Q. 43 – Is your company interested in developing XML-based software packages for the processing of employment taxes? (Yes/No)

Is XML Software The Best Solution?

- The sample was evenly divided when asked if XML-based software is the best solution for the processing and transmission of employment taxes being sent to the IRS -- with 42% saying it is not the best solution, with 39% saying that it is, and with the balance undecided.

	<u>Total</u>	<u>Software</u> <u>Developers</u>	<u>Tax Return</u> <u>Transmitters</u>
Total Respondents	(100)	(70)	(30)
	%	%	%

Is XML The Best Solution?

Yes	39	39	40
No	42	44	37
Don't Know/No Answer	19	17	23

Q. 44 – Do you think XML-based software is the best solution for the processing and transmission of employment taxes being sent to the IRS? (Yes/No)

Why is XML The Best Solution?

- Those who considered XML to be the best solution for processing and transmitting employment taxes said that it was mainly because XML “is the better way to communicate” and “is a standard (industry standard) format”, followed by “is the best system”, and “is easier for end users”.

	<u>Total</u>	<u>Software Developers</u>	<u>Tax Return Transmitters</u>
Total Saying XML Is Best Solution	(39) %	(27**) %	(12**) %
<u>Process (Net)</u>	<u>49</u>	<u>48</u>	<u>50</u>
XML Is The Better Way To Communicate	33	41	17
Best System	10	4	25
Works Great	5	4	8
Wave Of The Future	5	4	8
<u>Ease/Convenience (Net)</u>	<u>21</u>	<u>22</u>	<u>17</u>
Easier For End Users	10	11	8
Efficient	8	7	8
Standard Format/Industry Standard	23	26	17
Modern/New Technology	5	7	--
Don't Know	3	4	--

Q. 45 – Why do you feel that way?

What Is The Best Solution?

- Respondents who felt that XML was not the best solution were asked what they think is the best way to process employment taxes. 38% did not know. Among the rest, the top mentions were “electronically” (unspecified) and “Web-based forms”.

	<u>Total</u> (42) %	<u>Software Developers</u> (31) %	<u>Tax Return Transmitters</u> (11**) %
Total Saying XML Is Not The Best Solution			
<u>Better Process (Net)</u>	<u>52</u>	<u>55</u>	<u>46</u>
Electronically (n.s.)	14	10	27
Web Based Forms	7	7	9
Paper	5	7	--
IRS Channels	5	7	--
EDI Is More Efficient	5	7	--
Internet Is Not Stable	5	3	9
All Other	10	13	--
Don't Know	38	36	46

Q. 46 – What do you think is the best way to process these employment taxes?

Why Are These Alternatives The Best Solution

- Asking why they preferred formats other than XML, top mentions included “lack of security with XML”, “other methods are faster”, and “more comfortable with other options”.

	<u>Total</u>	<u>Software Developers</u>	<u>Tax Return Transmitters</u>
Total Saying XML Is Not The Best Solution	(42) %	(31) %	(11**) %

Why Prefer Other Formats Over XML

Lack of Security With XML	14	16	9
Another Method Is Faster	12	7	27
More Comfortable With Another Option	10	13	--
XML Is Not Proven Yet	5	7	--

High “All Other” mentions here are due to widely scattered and diffused responses which can not be coded into the points above. An example is shown below and a complete list of verbatim responses will be provided upon request.

> *Because XML drags the process out.*

Q. 47 – Why do you feel that way?

Preferred Method Of Receiving Information From The IRS

- In other measures, we asked respondents how they would like to receive information from the IRS. E-mail was by far the preferred method, particularly among SW Developers. Other mentions included getting information off of the IRS website and getting information through the mail.

Total Respondents	Total (100) %	Software Developers (70) %	Tax Return Transmitters (30) %
<u>Preferred Way To Receive Information From IRS?</u>			
E-mail	75	80	63
Off The IRS Website	34	33	37
Mail	23	21	27
Fax	3	3	3
IRS Bulletin Board (Unprompted)	1	1	0

Q. 48 – Thinking about future information that will be sent to your company from the IRS, in what ways would you most like to receive this information? Would you like to receive it via...

Interest In Working With The IRS On Future Tax Form Products

- We asked about interest in working with the IRS in the development of future Federal business tax form products, and found high interest in both segments -- especially among the Transmitters.

Total Respondents	<u>Total</u> (100) %	<u>Software Developers</u> (70) %	<u>Tax Return Transmitters</u> (30) %
<u>Interested In Working With The IRS In Development Of Future Federal Business Tax Form Products?</u>			
Yes	83	79	93
No	16	20	7
Don't Know/No Answer	1	1	0

Q. 49 – If asked to participate, do you think your company would be interested in an opportunity to work with the IRS in development of future Federal business tax form products? (Yes/No)

Familiarity With The Application Process

- In total, only one-third of the respondents claimed to be familiar with the application process required for partnering with the IRS -- with Transmitters far more familiar with the process than Software Developers.

	<u>Total</u> (100) %	<u>Software Developers</u> (70) %	<u>Tax Return Transmitters</u> (30) %
Total Respondents			

Familiarity With The Application Process To Partner With The IRS?

Yes	33	26	50
No	67	74	50

Q. 50 – Are you familiar with the application process required for a transmitter/software developer company to partner with the IRS? (Yes/No)

Difficulty Of The Application Process

- Most of the respondents claiming familiarity with the application process did not consider it to be a difficult process.

	<u>Total</u>	<u>Software Developers</u>	<u>Tax Return Transmitters</u>
Total Aware Of The Application Process	(33) %	(18**) %	(15**) %

Difficulty Of The Application Process

<u>Top-2 Box Rating (net)</u>	<u>39</u>	<u>33</u>	<u>47</u>
Very Difficult	9	5	14
Somewhat Difficult	30	28	33
Not Very Difficult	18	17	20
Not At All Difficult	37	39	33
Don't Know/No Answer	6	11	0

Q. 51 – If Yes to Q. 50, I'd like you to rate how easy or difficult you feel this application process is for a transmitter/software developer company. Would you say this process is...(Very Difficult, Somewhat Difficult, Not Very Difficult, Not At All Difficult)

Reasons For Difficulty Of The Application Process

- Base sizes are too small for full analysis of why the application process is considered difficult, but looking at the verbatim mentions below, we see that there is a concern about there being too much paperwork involved and having to interpret what the IRS is looking for.

What Specifically Is Difficult About The Process

SMALL BASES (19 PEOPLE) – VERBATIMS REPORTED ONLY

- *Having to interpret what they (the IRS) wants. (4)*
- *Too much paper work – it takes too long. (2)*
- *I really don't know. (2 Total Mentions)*
- *The IRS legal review – it offers no advantage.*
- *Things are done under the table. There are committees who know the players.*
- *It's long and drawn out. There are too many details and it is too complicated.*
- *Just because they want so many details about what we are going to do. Takes too much time.*
- *Everything about dealing with the IRS is difficult – it is unpleasant.*
- *We get passed around from one place to another.*
- *Because it exists. Just put requests out there and let the private sector go at it.*
- *It wasn't clear – it didn't pertain.*
- *Some of the data is incorrect – had to correct it first.*
- *We weren't clear initially in terms of marketing aspects.*
- *We have a certain style of application we are used to – they offer too many different ways.*

Q. 52 – If Very/Somewhat/Not Very Difficult in Q. 51, What specifically do you think is difficult about this process?

Website User Assistance Options

- We also asked if respondent companies offer specific types of assistance to users of their Website and found that 57% provide a customer service phone number, while just under one-half provide a customer service e-mail address and links to the IRS website.

	<u>Total</u> (100) %	<u>Software</u> <u>Developers</u> (70) %	<u>Tax Return</u> <u>Transmitters</u> (30) %
<u>Types Of Assistance Offered To Users Of The Company Website</u>			
Customer Service Phone Number	57	63	43
Customer Service e-mail Address	49	54	37
Links To IRS Website	46	50	37
Proprietary Publications	37	44	20
IRS Publications	30	34	20
Don't Know/Refused	22	19	30
Do Not Have A Website	8	3	20

Q. 53 – Do you offer any of the following types of assistance to users of your website?

Other Business Tax Forms That Should Be Available Electronically

- When we asked respondents which other Federal business tax forms they feel should be available for filing electronically, the top mention by far was Form 1120, followed by 1099, 1120S, W-2s, and 1041. 13% volunteered that Business taxpayers should be able to file all Federal tax forms electronically.

	<u>Total</u> (100) %	<u>Software</u> <u>Developers</u> (70) %	<u>Tax Return</u> <u>Transmitters</u> (30) %
Total Respondents			
1120	22	21	23
1099	8	9	7
1120S	7	6	10
W-2 6	4	10	
1041	5	4	7
State Forms	4	3	7
Payroll Tax Forms/Reports	2	3	--
FUTA Related	2	3	--
All Forms	13	14	10
None Other Than Those Already Offered	14	13	17
Don't Know	24	29	13

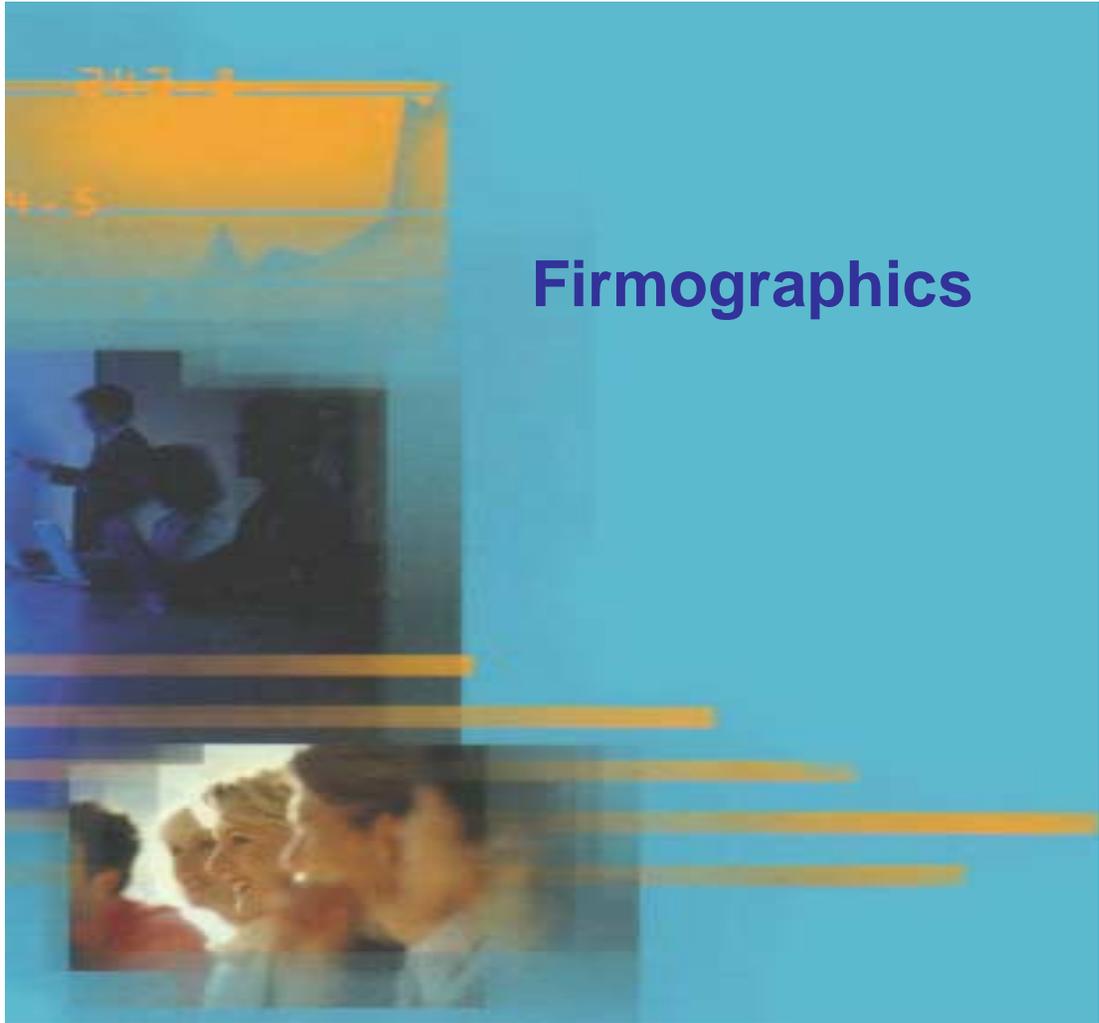
Q. 54 – Besides the three business tax forms we have talked about – Forms 940, 941, and 1065, what other specific Federal Business Tax Forms do you feel should be available for taxpayers electronically?

Suggestions To Improve IRS Services

- Finally, we asked what respondents would suggest for improving IRS services related to Federal business tax forms and found that only about half had a suggestion (though this was higher among the Transmitters). The top group of mentions related to better IRS service.

	<u>Total</u> (100) %	<u>Software Developers</u> (70) %	<u>Tax Return Transmitters</u> (30) %
<u>Suggested Something</u>	<u>53</u>	<u>47</u>	<u>67</u>
<u>Service (Net)</u>	<u>14</u>	<u>10</u>	<u>23</u>
More Operators To Answer Help Line	8	9	7
More Training For Operators	3	1	7
Better Customer Service	3	1	7
<u>Form Issues (Net)</u>	<u>10</u>	<u>10</u>	<u>10</u>
Timeliness	5	4	7
<u>Process (Net)</u>	<u>7</u>	<u>6</u>	<u>10</u>
Make It Faster	5	4	7
Streamline Information On Changes	5	7	--
Modernize Communication Between Developers And IRS	5	4	7
<u>No Suggestions</u>	<u>44</u>	<u>49</u>	<u>33</u>
Don't Know	3	4	--

Q. 55 – Can you offer any suggestions for improving IRS services related to Federal business tax forms?



Firmographics

Among Transmitters: # Of Business Tax Forms Transmitted In 2001

- In firmographic measures, we found that the Transmitter segment had an average of 3,691 Federal business tax form transmissions in 2001 -- with just over one-half transmitting 1,000 or more forms.

	<u>Tax Return Transmitters</u>
Total Tax Return Transmitters	(30) %
<u># Of Transmissions in 2001 For Tax Year 2000?</u>	
Less Than 100	23
100 to 499	13
500 to 999	7
1,000 to 5,000	27
More Than 5,000	27
Mean # Of Transmissions In 2001	3,691
Don't Know	3

Q. 56 – (FOR TRANSMITTER CELL ONLY) Approximately how many transmissions of business tax forms did your company perform in 2001 for tax year 2000?

Among Transmitters: Percentage Of Tax Forms Transmitted In 2001

- Forms 941 and 1065 dominated the specific Federal business tax forms transmitted by these companies, with each making up about 40% of the total business tax forms transmitted by this segment.

Total Tax Return Transmitters	<u>Tax Return Transmitters</u> (30) %
-------------------------------	---

Forms Transmitted In 2001

Mean % Of Form <u>940</u>	19.3
Mean % Of Form <u>1065</u>	40.0
Mean % Of Form <u>941</u>	40.7

Q. 57 – (FOR TRANSMITTER CELL ONLY) Of the total number of forms your company transmitted in 2001, what percentage were...

Among Software Developers: # Of Business Tax Software Units Sold In 2001

- The SW Developers in this survey claim to have sold an average of just under 3,000 units of business tax form software in 2001, with about one-third saying they sold 1,000+ units.

Total Software Developers	Software Developers (70) %
---------------------------	-------------------------------------

Of Units Of Business Tax Forms Sold In 2001

Less Than 100	24
100 to 999	17
1,000 to 5,000	17
More Than 5,000	14
Mean # Of Units Sold In 2001	2,934
Don't Know/Refused	27

Q. 58 – (FOR SOFTWARE DEVELOPER CELL ONLY) Approximately how many units of business tax form software did your company sell in 2001?

Among Software Developers: Percentage Of Tax Forms Sold In 2001

- Form 941 dominated their sales, with a 51.8% share of all units sold, followed by Forms 940 and 1065 -- each with a 24.1% share of sales.

Total Software Developers	Software Developers (70) %
<u>Software Sold In 2001</u>	
Mean % Of Form <u>940</u>	24.1
Mean % Of Form <u>1065</u>	24.1
Mean % Of Form <u>941</u>	51.8

Q. 59 – (FOR SOFTWARE DEVELOPER CELL ONLY) Of the total number of units of business tax form software your company sold in 2001, what percentage were...

Job Function Related To Federal Business Tax Forms

- Profiling our sample by their job functions related to each of these tax forms showed that their highest involvement was in managing and programming electronic Forms 941 and 940. Focusing on the sub-groups, we found that SW Developers had a larger role in the programming and marketing of these tax forms while Transmitters were more involved in management.

	<u>-Involved In Programming-</u>			<u>--Involved In Marketing--</u>			<u>---Involved In Managing---</u>		
	<u>Total</u>	<u>Software</u>	<u>Tax Return</u>	<u>Total</u>	<u>Software</u>	<u>Tax Return</u>	<u>Total</u>	<u>Software</u>	<u>Tax Return</u>
	(100)	Developers	Transmitters	(100)	Developers	Transmitters	(100)	Developers	Transmitters
	%	%	%	%	%	%	%	%	%
Total Respondents									
Form 941	31	36	20	22	26	13	37	33	47
Form 940	22	26	13	17	21	7	28	24	37
Form 1065	20	17	27	10	11	7	17	11	30
Form 1040	14	16	10	10	10	10	16	13	23

Q. 5 – You mentioned earlier that you are involved in Programming/marketing/managing electronic versions of Federal business and individual tax forms. Which specific Federal electronic business and individual tax forms are you currently involved with in terms of programming/marketing/managing?

Other Firmographics

- Other firmographic data show that Transmitters were likely to be larger firms than SW Developers and were more likely to be represented in the study by their management staff.

	<u>Total</u> (100) %	<u>Software</u> <u>Developers</u> (70) %	<u>Tax Return</u> <u>Transmitters</u> (30) %
<u>Title</u>			
Managerial	25	19	40
Owner/Principle/Partner/President	18	20	13
Vice President	16	20	7
Director	11	14	3
<u>Number Of Employees</u>			
1-9	15	16	13
10-19	21	26	10
20-99	23	26	17
100 or More	34	30	43
Don't Know	7	2	17